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**1. TURKEY MAY EXPAND ECONOMIC RELATIONS
WITH USSR**

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In a recent conversation with the American ambassador in Ankara, Prime Minister Menderes implied that Turkey's coolness toward the USSR might be modified. Menderes may be attempting to increase his bargaining position with the United States regarding both Turkey's demands for settlement of the Cyprus problem and requests for additional economic aid.

The prime minister would probably approve limited commercial deals with the USSR if they provided some relief for Turkey's economic difficulties.

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2. LATEST REMARKS BY ZHUKOV REPORTED



[Redacted]

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[Redacted] at the 29 July reception for the Afghan King, Soviet Defense Minister Zhukov expressed great pessimism as

to the outcome of the disarmament discussions. He said the greatest difficulty lay in the Western concept that to counter-balance greater Soviet manpower the Western powers had to keep atomic weapons. On the subject of inspection, Zhukov declared he was prepared to open up the entire Soviet Union.

[Redacted] Zhukov's price appeared to be opening up all the rest of the world to Soviet inspection.

[Redacted] Zhukov appeared extremely self-confident and seemed to desire to give the impression that he was second only to Khrushchev.

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3. NEW INTERNATIONAL COMMUNIST ORGANIZATION REPORTEDLY BEING ESTABLISHED

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[REDACTED] a "bureau of
coordination of ties with Communist
parties" has been organized by presidium
member Suslov in Prague. It will issue
a publication, which may be called the
International Herald of Politics and Eco-
nomics. [REDACTED] Mme. Yekaterina
Furtseva had recently explained the need for such a bureau
to Moscow University students.

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[REDACTED]

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Comment There have been frequent rumors that some
new international Communist organization
will be formed and that it may publish a journal, as proposed by
the Czechoslovak Communists. Until now the project appears to
have been blocked by other parties, such as the Polish and Ital-
ian.

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4. USSR REPORTEDLY OFFERS SYRIA LARGE LOAN

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The USSR has agreed to lend Syria \$112,000,000 including funds for Syrian development projects, according to the authoritative leftist newspaper Rai al-Am in Damascus on 31 July. The Syrian delegation headed by Defense Minister Khalid al-Azm which is now in Moscow reportedly will sign the agreement on 3 August. The loan will be repayable within 10 years.

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Azm said that "Syria is confident that its economy is sound. It sought no grants but purchased without conditions." The agreement reportedly will include a reduction or cancellation of arms payments.

Comment

A report the same day by another Syrian newspaper that the projects included chemical plants, railway equipment, and a radio station may be intended to camouflage cash loans, which Syria badly needs but would be reluctant to see publicized.

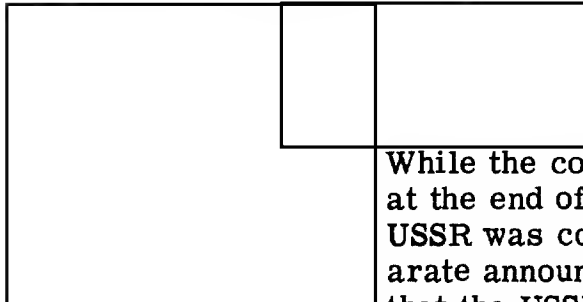
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5. USSR TO PROVIDE FURTHER TECHNICAL AID TO AFGHANISTAN



While the communiqué issued on 30 July at the end of King Zahir Shah's visit to the USSR was confined to generalities, a separate announcement the same day reveals that the USSR will extend further economic

aid to Afghanistan. The USSR will assist Afghanistan with oil prospecting in the northern regions and will also train Afghan technical personnel. The two sides agree to cooperate in exploitation of frontier waterways and, in principle, to conclude a treaty for administration of the Soviet-Afghan border.

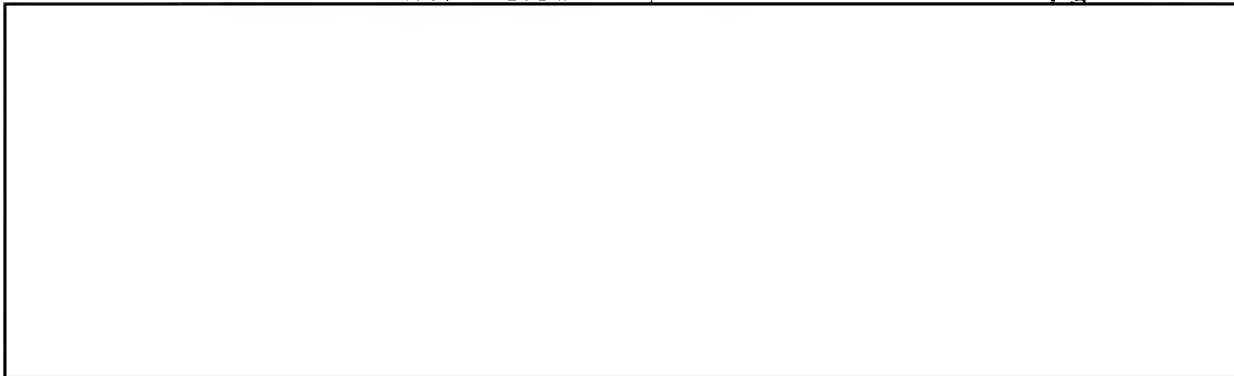
The USSR made every effort to convince the King of the sincerity of Soviet support for Afghan neutrality. The border agreements are comparable to those offered by the USSR to Iran. They may be part of the USSR's general effort to develop closer relations with countries on its southern border.

In his speeches in the USSR, Zahir Shah stressed Afghanistan's neutral status and avoided specific mention of economic aid. Afghan wariness is also indicated by the emphasis in the communiqué that no political strings are attached to the aid. Although some Afghan technical personnel may be sent to the USSR for training, Kabul will probably attempt, as in the case of military training, to have as much as possible conducted in Afghanistan.

Failure of a Swedish company to strike oil in commercial quantities after a year of exploration may have led Afghanistan to turn to the USSR, which has long professed an interest in developing Afghan oil. There is a small operating Soviet field and refinery at Termez close to the Soviet-Afghan border on terrain similar to that found in northern Afghanistan.



6. IRANIAN PRIME MINISTER LOSES
SHAH'S CONFIDENCE



Comment


There is ample evidence that the Shah and Eqbal do not agree on the conduct of government. When Eqbal was appointed prime minister in April, he said he would remain in office only as long as he was allowed to conduct affairs without interference from the Shah. The Shah gives no indication of intending to support the existing government or to tolerate it beyond the period necessary to make other arrangements. Since the Shah's return from Europe on 12 July, he has said it has taken him 12 years to gather all reins of power into his own hands.

7. CZECHOSLOVAKIA OFFERS INVESTMENT TO
PREVENT CLOSING OF LEGATION IN LIMA

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The Czechoslovak chargé in Lima has offered the Peruvian government a Czechoslovak investment equaling \$3,000,000 on the condition that Peru

withdraw its request that Czechoslovakia close its legation in Lima, 

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A departure date for the Czechoslovaks has not yet been announced.

Comment

The Peruvian foreign minister asked the chargé on 25 July to close the Czechoslovak legation in Lima, the only orbit mission in Peru. Lima is unlikely to rescind its decision for the sake of a \$3,000,000 investment, a relatively small amount in comparison with total foreign investment there of over \$700,000,000.

The Peruvian Communist Party lately has shown considerable potential, particularly in organized labor, and apparently the Czechoslovaks, who have the only bloc mission in Peru, are reluctant to lose the opportunity to exploit the situation.

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8. OUSTER OF PRO-COMMUNIST OKINAWAN MAYOR
SEEN IN DOUBT

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The ouster of pro-Communist Mayor
Kamejiro Senaga of Naha, Okinawa,
which depends on the results of the
4 August city assembly election, ap-

pears uncertain,

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The prospects of the pro-Senaga forces have
been enhanced by the formation of a cohesive front group.
The conservative opposition's effectiveness is being ham-
pered by factionalism, particularly the independent posi-
tion taken by a former conservative mayoral candidate.

Comment

Senaga dissolved the Naha City assembly
after he lost a confidence vote in June.

His conservative opponents must win at least 20 of the 30 as-
sembly seats to meet quorum requirements for a second no-
confidence vote, which can be carried by a simple majority
and would force the mayor to resign.

Senaga has said he will run in the ensuing
mayoral campaign if the new assembly forces him to resign.

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